

Message Text

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ACTION ARA-14

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E.O. 11652: N/A
TAGS: ECON, EFIN, PN
SUBJECT: \$20 MILLION JAPANESE INVESTMENT IN PANAMA

1. EMBOFF HAS DISCUSSED JAPANESE INVESTMENTS IN PANAMA WITH AN OFFICIAL OF THE JAPANESE EMBASSY WHO QUOTED TOTAL JAPANESE INVESTMENT IN PANAMA AS APPROXIMATELY \$90 MILLION. LOANS BY THE EXPORT/IMPORT BANK OF JAPAN TO LA VICTORIA SUGAR CORPORATION REPRESENT THE ONLY MAJOR INVESTMENT BY THE JAPANESE GOVERNMENT AND AMOUNT TO \$5 MILLION (ALTHOUGH THE OFFICIAL ORIGINALLY PUT THIS FIGURE AT \$20 MILLION). THE BANK OF TOKYO, WITH OFFICES IN THE REPUBLIC OF PANAMA, HAS AN OUTSTANDING LOAN BALANCE OF ABOUT \$70 MILLION. THE BULK OF THIS SUM CONSISTS OF A \$12 MILLION LOAN AND A \$40 MILLION LOAN NEGOTIATED BY THE GOP TO BE USED FOR REFINANCING. THE BANK OF TOKYO ALSO PROVIDED \$4 MILLION TO LA VICTORIA SUGAR CORP. AND HAD A \$5 MILLION SHARE IN THE \$100 MILLION SYNDICATED LOAN TO THE GOP OF MAY 1977. OF A TOTAL OF \$21 MILLION INVESTED BY JAPANESE BANKS IN LA FORTUNA HYDROELECTRIC PROJECT IN DECEMBER 1977, \$6 MILLION CAME FROM THE BANK OF TOKYO. THE REMAINING \$15 MILLION WAS EQUALLY DISTRIBUTED AMONG THREE JAPANESE BANKS, DAICHI-KANGYO BANK (THE LARGEST IN JAPAN), TOKAI BANK, AND YOKOHAMA BANK. NONE OF

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THESE BANKS HAS OFFICES IN PANAMA.

2. A CONSORTIUM OF JAPANESE FIRMS WAS INVOLVED IN THE INITIAL CONSTRUCTION AT THE VACAMONTE FISHING PORT, AND RECENTLY HAS WON ITS BIDS TO COMPLETE ABOUT HALF OF THE REMAINING CONSTRUCTION.

3. A JAPANESE FIRM, KOMATSU DE PANAMA, S.A., LOCATED IN THE COLON FREE ZONE, HAS RECENTLY EXPANDED ITS OPERATIONS AND FACILITIES IN THE FREE ZONE. THE OFFICIAL WAS NOT FAMILIAR WITH THE EXTENT OF THIS EXPANSION. KOMATSU HANDLES TRACTORS AND HEAVY EQUIPMENT AND REPLACEMENT PARTS FOR SUCH EQUIPMENT.

4. COBRE, S.A., A JAPANESE COMPANY, COMPLETED A FEASIBILITY STUDY AND SOME EXPLORATORY WORK AT THE PETAQUILLA AND COCLESITO COPPER PROJECTS. THE GOP, WHICH IS RELUCTANT TO ACCEPT MAJORITY CONTROL OF THE PETAQUILLA PROJECT, HAS BEEN URGING DEVELOPMENT OF THE PROJECT BY COBRE, S.A. BECAUSE OF THE EMPLOYMENT THAT WILL BE GENERATED AND THE EFFECT IT WILL HAVE ON OVERALL DEVELOPMENT OF THE GENERAL AREA IN WHICH THE PROJECT IS LOCATED. THIS DEVELOPMENT WOULD AID PANAMA TO EXPLOIT THE FORESTRY RESERVES IN THE AREA AND IMPROVE THE PROSPECTS FOR CATTLE RAISING. PLANS FOR A ROADWAY LEADING FROM COLON TO THE PETAQUILLA PROJECT HAVE BEEN AT LEAST TEMPORARILY THWARTED DUE TO THE ABSENCE OF ADQUATE MAPS OF THE NORTHERN REGION BETWEEN COLON AND CHIRIQUE GRANDE. GIVEN THE CURRENT LOW MARKET PRICE OF COPPER, COBRE, S.A. HAS ADVISED THE GOP TO POSTPONE DEVELOPMENT OF THE PROJECT UNTIL A MORE PROPITIOUS TIME. THE JAPANESE FIRM IS CONVINCED, HOWEVER, THAT THE MINING OF PETAQUILLA IS BOTH MORE PRACTICABLE AND MORE PROFIT-LIMITED OFFICIAL USE

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ABLE THAN CERRO COLORADO. AT PETAQUILLA THE ORE HAS A SLIGHTLY HIGHER COPPER CONTENT AND WILL BE LESS EXPENSIVE AND EASIER TO MINE.

5. THE JAPANESE OFFICIAL NOTED THE BULK OF JAPANESE INTERESTS IN LATIN AMERICA HAVE BEEN CONCENTRATED IN BRAZIL. RECENTLY, THE TREND HAS BEEN TOWARD INCREASED INVESTMENT IN VENEZUELA, MEXICO AND ARGENTINA. HE SAID THAT SHOULD PANAMA ASSUME CONTROL OF THE CANAL, IT WILL SOON TAKE NOTE THAT JAPAN IS ONE OF ITS MAJOR CUSTOMERS. HE SEEMED TO FEEL THAT THIS WOULD PROVIDE THE OPPORTUNITY FOR PANAMA TO PUT MODERATE PRESSURE ON JAPAN TO INCREASE ITS INVESTMENTS IN PANAMA.

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